

**BOARD OF TRUSTEES FOR THE
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
MINUTES OF MEETING**

June 16, 2020

The Board of Trustees for the Maryland State Retirement and Pension System convened, via video-conference call with the host site at the SunTrust Building, 120 East Baltimore Street, 16th Floor, Board Room, Baltimore, Maryland, beginning at 1:38 p.m.

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding
Peter Franchot, Vice Chairman
Thomas Brandt
David Brinkley
Eric Brotman
Jamaal Craddock
Kenneth Haines

David Hamilton
Linda Herman
Sheila Hill
Richard Norman
Douglas Prouty
Michael Stafford, Jr.

Agency Staff members attending included:

R. Dean Kenderdine, Executive Director/Board Secretary (on site)
Melody Countess
Robert Diehl
Anne Gawthrop
Michael Golden

Angie Jenkins (on site)
Kim O'Keeffe
Andrew Palmer
Chandra Puranam

David Rongione
Janet Sirkis (on site)
Brad Taylor (live stream)

Assistant Attorneys General present included: Rachel Cohen and Kathleen Wherthey

Other attendees included: Justin Hayes

Consent Agenda

On a motion made by Mr. Haines and duly seconded, the Board approved the consent agenda, which included:

- a) May 19, 2020 Open Meeting Board Minutes
- b) June 2, 2020 Administrative Committee Meeting Summary, including the Trustee Election Schedules for Active Employees' and Teachers' System Representatives

**Recommendation of
the Investment
Committee
regarding the
Optional Retirement
Program**

Ms. Herman, as Vice-Chairman of the Investment Committee, reported that Financial Integrity Resources Management, LLC (FIRM) and NFP presented the Investment Committee with a biennial review of the Optional Retirement Plan as of December 31, 2019.

Based on that review FIRM and NFP recommended and the Investment Committee approved, for recommendation to the Board of Trustees, the following:

Fidelity Recommendations:

1. Approve the change in share class for the Vanguard FTSE Social Index Fund from existing ticker VFTAX to new ticker VFTNX.
 - a. Replacement is recommended due to the expense ratio reduction from 0.14% to 0.12%.
 - b. Existing assets and future contributions should be mapped to the new share class VFTNX.
2. Replace the AQR Global Equity Fund with the Victory RS Global Fund (RGGRX).
 - a. Replacement is recommended due to AQR's lagging performance relative to the benchmark and peers.

**BOARD OF TRUSTEES FOR THE
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
MINUTES OF MEETING**

June 16, 2020

- b. Existing assets and future contributions should be mapped from the AQR Global Equity Fund to the new Victory RS Global Fund (RGGRX).
- 3. Replace the Fidelity Freedom Target Date Series (active) with the Fidelity Freedom Target Date Index Series (passive).
 - a. Replacement is recommended due to the inability of Fidelity's active product to consistently add value over a long-term period.
 - b. The expense ratio of the passive series is 0.08% vs. 0.37% for the active series.
 - c. Existing assets and future contributions should be mapped from the Fidelity Freedom Target Date Series (active) to the Fidelity Freedom Target Date Index Series (passive).

TIAA Recommendations:

- 1. Approve the change in share class for the Vanguard Institutional Index Fund from existing ticker VINIX to new ticker VIIIX.
 - a. Replacement is recommended due to the expense ratio reduction from 0.035% to 0.02%.
 - b. Existing assets and future contributions should be mapped to the new share class VIIIX.
- 2. Replace the existing CREF Stock Account with the Hartford Core Equity Fund (HAITX).
 - a. The CREF Stock Account has underperformed its benchmark for the 1, 3, 5 and 10-year annualized periods.
 - b. Existing eligible assets and future contributions should be mapped to the new Hartford Core Equity Fund (HAITX).
 - c. While the two funds do not manage to the same index, their compositions are similar, with U.S. equities representing 70% of the CREF Stock Account.
- 3. Replace the existing CREF Growth Account with the T. Rowe Price Institutional Large Cap Growth Fund (TRLGX).
 - a. The CREF Growth Account has underperformed its benchmark for the 1, 3, 5 and 10-year annualized periods.
 - b. Existing eligible assets and future contributions should be mapped to the new T. Rowe Price Institutional Large Cap Growth Fund (TRLGX).
- 4. Replace the CREF Global Equities Account with the Victory RS Global Fund (RGGRX).
 - a. The CREF Global Equities Account has underperformed its benchmark for 3 and 5-year annualized periods.
 - b. Existing eligible assets and future contributions should be mapped to the new Victory RS Global Fund (RGGRX).
- 5. Replace the TIAA-CREF Lifecycle Target Date Series (active) with the TIAA-CREF Lifecycle Target Date Series Index Series (passive).
 - a. Replacement is recommended due to the inability of TIAA's active product to consistently add value over a long-term period.
 - b. The expense ratio of the passive series is 0.10% vs. 0.42% for the active series.
 - c. Existing assets and future contributions should be mapped from the TIAACREF Lifecycle Target Date Series (active) to the TIAA-CREF Lifecycle Target Date Series Index Series (passive).

**BOARD OF TRUSTEES FOR THE
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
MINUTES OF MEETING**

June 16, 2020

On a motion made by Mr. Brotman and seconded by Mr. Prouty, the Board of Trustees approved the Investment Committee's recommendations concerning the Optional Retirement Program, as presented.

In addition, Ms. Herman indicated that on a motion, which was approved by a majority vote of the Investment Committee, for recommendation to the Board, the Consultants were asked to research and present to the Committee at a future meeting, an option for a gold focused fund, likely a mutual fund of gold focused stocks, not the commodity itself.

On a motion made by Ms. Herman and seconded by Mr. Stafford, the Board of Trustees approved the recommendation of the Investment Committee to have the consultant research and present recommendations for gold and additional diversifying mutual fund options for the ORP. Trustees Brotman, Haines and Prouty opposed the motion.

Mr. Hamilton asked Ms. Cohen to explain what the Board's role and responsibility with respect to the selection of ORP investment options.

Ms. Cohen responded that she would prefer to discuss that topic with the Board once the consultants come back with information. Additionally, any advice of counsel on this matter could be given in closed session.

Mr. Stafford commented that the ORP participants deserve something less correlated than what is being offered.

Recommendation of
the Investment
Committee
regarding Asset
Allocation and
Benchmark Review

Ms. Herman reported that the Investment Committee voted to approve for both the Strategic Policy Benchmark and the Policy Benchmark, the following changes, for recommendation to the Board:

- Real estate:
 - Current: NCREIF ODCE gross (one quarter lagged)
 - Proposed: NCREIF ODCE net (one quarter lagged) + 40 bp
- Local currency emerging market debt:
 - Current: Bloomberg Barclays Emerging Markets Local Currency Government Index -30bp
 - Proposed: Bloomberg Barclays Emerging Markets Local Currency Liquid Government Index -30bp

On a motion made by Mr. Brotman and seconded by Mr. Prouty, the Board of Trustees voted to approve the Investment Committee's recommendation for the Strategic Policy Benchmark and the Policy Benchmark, as presented.

Recommendation of
the Investment
Committee
regarding the
Criteria for
Frequency of Asset
Allocation Reviews

Ms. Herman reported that the Investment Committee voted to approve staff's recommendations, concerning the criteria for frequency of asset allocation reviews, as presented in the "Timing of Asset Liability Study" memorandum, for recommendation to the Board. Therefore, the Board agreed to move from a 2-year mandatory study frequency to a 5-year mandatory frequency. In addition, and consistent with the implementation of other periodic investment events, a study will be planned for every 4 years which would allow the event that a study is not feasible in the fifth year. These recommendations result in

**BOARD OF TRUSTEES FOR THE
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
MINUTES OF MEETING**

June 16, 2020

a scheduled asset liability study every 4 years, which is consistent with the review period of between 3 and 5 years used by the majority of peer plans. It also provides broad criteria to consider for conducting off-calendar studies.

On a motion made by Ms. Herman and seconded by Mr. Haines, the Board of Trustees voted to approve the Investment Committee's recommendation concerning asset allocation reviews, as presented.

Recommendation of
the Investment
Committee
regarding the
Criteria for the Chief
Investment Officer's
Evaluation

Ms. Herman reported that the Investment Committee, after reviewing the criteria for the Chief Investment Officer's evaluation, agreed that the form should include, in the Leadership section, language regarding the System's move to internal management. Therefore, it is the recommendation of the Investment Committee that the Board approve the criteria for the Chief Investment Officer's evaluation, including adding language regarding internal management.

On a motion made by Ms. Herman and seconded by Mr. Haines, the Board approved the Investment Committee's recommendation regarding the criteria for the Chief Investment Officer's evaluation, with revisions.

Recommendation of
the Administrative
Committee
regarding the FY21
Business Plan,
including new
Initiatives

The Board of Trustees was provided with a complete copy of the Agency's Business Plan, including on-going and new initiatives, for Fiscal Year (FY) 2021.

Mr. Norman, Chairman of the Administrative Committee reported that the Committee received a full report on the FY2021 Business Plan at its June meeting. Mr. Norman asked Mr. Kenderdine to provide a brief report to the Board.

Mr. Kenderdine reported on the Business Plan Matrix, which provided an overview of the Agency's on-going and new initiatives, as follows:

➤ *Review and Revision of Code of Maryland Regulations*

Mr. Kenderdine reported that the Agency is a little less than halfway through of the regulation review process.

➤ *Eliminate Print Version of Retiree News & Notes Newsletter; Transition to Exclusive Email Distribution*

Mr. Kenderdine reported that the acquisition of registration of email addresses would eliminate the print version of the Retiree News & Notes Newsletter by fiscal year 2022. Mr. Kenderdine further reported that the Agency would still be able to mail copies to those members who do not have an email address.

➤ *MPAS+ Business Process Re-engineering and Sub-Projects*

Mr. Kenderdine reported that initially there were issues with the vendor, but those issues were resolved in order to move forward with the project with completion expected June 2022.

**BOARD OF TRUSTEES FOR THE
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
MINUTES OF MEETING**

June 16, 2020

➤ Office Space Expansion and Lease Renewal

Mr. Kenderdine reported that the relocation of the Information Technology division is needed to create space for the Investment Division. Agency staff have completed the necessary documents and forwarded those documents to the Department of General Services (DGS) to begin the process of acquiring additional space.

Mr. Brotman, regarding the lease renewal, commented that in the new world of teleworking, he suggested that staff negotiate to lower the cost per foot or to opt for a shorter renewal period.

Mr. Kenderdine agreed and responded that those options were not yet on the table with DGS. However, he has discussed this with Melody Countess and Andrew Palmer, in preparation for the meeting with DGS to discuss the Agency's needs.

Mr. Brotman asked if there were any thoughts to relocating outside of downtown.

Mr. Kenderdine responded that there were no recent conversations regarding relocating. If the Board were to encourage that idea, staff would pursue it.

Mr. Stafford asked how much do the Board and/or staff control of this.

Mr. Kenderdine responded that we are currently in a lease for the space that we occupy, but that staff could pursue alternative locations with DGS staff.

Mr. Brotman asked if the State owns any real estate that we could use.

Mr. Kenderdine responded that there are State-owned facilities both within and outside of Baltimore City.

Secretary Brinkley commented that he believes the change is timely, not only due to the market, but that circumstances regarding the Agency's current parking garage has changed. He feels that staff should request that DGS reexamine everything as the market is in a position for that.

Mr. Kenderdine responded that at this time, staff is renegotiating space at the SunTrust Building.

Treasurer Kopp responded to Mr. Stafford's question, answering that the Agency has to go through DGS, as the State's authorized negotiating arm for real estate. She indicated that this issue would be an excellent topic for the Administrative Committee.

On a motion made by Mr. Norman and seconded by Mr. Prouty, the Board voted to approve the FY2021 Business Plan, as presented.

**BOARD OF TRUSTEES FOR THE
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
MINUTES OF MEETING**

June 16, 2020

Recommendations
of the Ad Hoc
Committee on
Governance

Secretary Brinkley as Chairman of the Ad Hoc Committee on Governance provided the Board with a memorandum, which outlined recommendations to the following governance reform topics assigned to the Committee by the Board:

- I. Review/revise policy on Election of Board Chair and Vice Chair, and review policy for selection of approval of Committee Chairs and Vice Chairs.
- II. Advocate reduction in size of the Board to 11 members/Reduce size of Investment Committee members to 9.
- III. Improve Board policy decision making by developing a process and timetable for policy setting, annually delegating to committees, staff, and consultants in depth studies of key strategic issues options, pros and cons.
- IV. Seek Board authority over SRA budget, personnel, compensation, and procurement.
- V. For vacancies of Governor-appointed trustee seats, advise Governor of desired trustee profile.
- VI. Consider a permanent committee on Board Governance.

A motion was made by Secretary Brinkley and seconded by Mr. Brotman to approve the Ad Hoc Committee's recommendations. However, on a request by Mr. Prouty, the Board agreed to separate topic "II. Advocate reduction in size of the Board to 11 members/Reduce size of Investment Committee to 9" for further discussion.

Having heard no objection, the Board approved the Ad Hoc Committee's recommendations regarding topics I, III and V. Discussion further ensued regarding topic II.

Mr. Prouty commented that he opposed reducing the number of Trustees from five to three, as he felt the Board would not benefit from this change. Mr. Prouty added that there are different perspectives brought to the System's concerns by active and retired members and the System's membership deserves representation by both active and retired members.

Treasurer Kopp responded that changing the composition of the Board would require legislation, but the size of the Investment Committee is up to the Board.

Mr. Prouty clarified that he was primarily objecting to reducing the size of the Board.

Mr. Stafford asked how many members are required to be on the Investment Committee.

Mr. Kenderdine responded that the committee must include three elected trustees, including one representative from each membership (Employees, Teachers and State Police) as well as the three public advisors, for a total of six members.

**BOARD OF TRUSTEES FOR THE
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
MINUTES OF MEETING**

June 16, 2020

Ms. Herman commented that in Montgomery County the Board has nine members and that the full Board serves as their Investment Committee. Ms. Herman suggests that staff give advice to consultants as to what should be presented at a meeting as a means of streamlining.

Mr. Stafford commented that Montgomery County retirement program is the same kind of organization s MSRPS, however he understands their meeting agendas are determined differently. Mr. Stafford suggested that Ms. Herman work with Agency staff to get ideas as to how to consolidate or streamline the committee's agenda development process.

Treasurer Kopp commented that a workgroup could be put together with Mr. Palmer and Mr. Kenderdine staffing it and charged with developing recommendations to make committee meetings more productive.

Mr. Palmer responded that staff spends a significant amount of time with the Investment Committee chairman, going over what to present to the Committee. Mr. Palmer indicated that there are generally two main sections to the material presented, (1) the Committee has a set of responsibilities in its Charter that the Committee must fulfill and (2) material is presented based on feedback from prior committee meetings and resulting from comments and questions by committee members.

Secretary Brinkley suggested that the Board take this topic back up for discussion at the September 22, 2020 Board of Trustees meeting.

Ms. Herman asked if the Ad Hoc Committee should have another meeting to discuss this matter further, before it comes back to the Board.

Secretary Brinkley commented that he thinks the Committee should have another meeting in August to discuss this topic, prior to the September Board meeting.

Executive Director's
Report

The Board of Trustees was provided with a six-month attendance and training report for January 1 through June 30, 2020 for their review. Mr. Kenderdine asked that any corrections be forwarded to his attention. Mr. Kenderdine commented that any Trustee who has attended fiduciary training not arranged by the Agency, to please let him know.

Mr. Kenderdine reported that the Agency continues to provide services to its members with about 30% of its staff in the office, since the Governor entered into Phase 2 of the State's COVID-19 re-entry program.

On a motion made by Mr. Prouty and seconded by Mr. Stafford, the Board voted to meet in a Closed Session, beginning at 3:04 p.m., via video-conference call with the host site at the SunTrust Building, 120 East Baltimore Street, 16th Floor, Board Room, Baltimore, Maryland, for the purposes of:

- a) reviewing the closed session Board minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function and General Provisions Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed

**BOARD OF TRUSTEES FOR THE
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
MINUTES OF MEETING**

June 16, 2020

requirement that prevents public disclosure about a particular proceeding or matter, namely General Provisions Art., § 3-306(c)(3)(ii), requiring that the minutes of a closed session be sealed and not be open to public inspection;

- b) reviewing the Medical Board reports regarding individual participants' claims for disability retirement benefits, pursuant to General Provisions Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter namely, General Provisions Art., § 4-312 regarding the prohibition on disclosing retirement records, and General Provisions Art., § 4-329 regarding the prohibition on disclosing medical and psychological information;
- c) reviewing the Earnings Limitation Recovery Report pursuant to General Provisions Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosure about a particular proceeding or matter, namely, General Provisions Art., § 4-312 regarding the prohibition on disclosing retirement records, and General Provisions Art., § 4-331 regarding the prohibition on disclosing information about public employees;
- d) reviewing the Disability Offset Report, pursuant to General Provisions Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosure about a particular proceeding or matter, namely, General Provisions Art., § 4-312 regarding the prohibition on disclosing retirement records, and General Provisions Art., § 4-331 regarding the prohibition on disclosing information about public employees;
- e) discussing the results of the Executive Director's Evaluation, pursuant to General Provisions Art., § 3-305(b)(1)(i), to discuss the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of an appointee, employee, or official over whom it has jurisdiction.

CLOSED SESSION

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding
Peter Franchot, Vice Chairman
Thomas Brandt
David Brinkley
Eric Brotman
Jamaal Craddock
Kenneth Haines

David Hamilton
Linda Herman
Sheila Hill
Richard Norman
Douglas Prouty
Michael Stafford, Jr.

Agency Staff members present, for items (a)-(d) only, included:

R. Dean Kenderdine, Executive Director/Board Secretary (on site)
Melody Countess
Robert Diehl
Anne Gawthrop
Michael Golden

Angie Jenkins (on site)
Kim O'Keeffe
Andrew Palmer
Chandra Puranam

David Rongione
Janet Sirkis (on site)
Brad Taylor (live stream)

Assistant Attorneys General present, for items (a)-(d) only, included: Rachel Cohen and Kathleen Wherthey

**BOARD OF TRUSTEES FOR THE
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
MINUTES OF MEETING**

June 16, 2020

Other attendees included: Justin Hayes

On a motion made by Mr. Norman and seconded by Mr. Haines, the Board returned to open session at 3:14 p.m., via video-conference call with the host site at the SunTrust Building, 120 East Baltimore Street, 16th Floor, Board Room, Baltimore, Maryland.

OPEN SESSION

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding
Peter Franchot, Vice Chairman
Thomas Brandt
David Brinkley
Eric Brotman
Jamaal Craddock
Kenneth Haines

David Hamilton
Linda Herman
Sheila Hill
Richard Norman
Douglas Prouty
Michael Stafford, Jr.

Agency Staff members present included:

Angie Jenkins (on site) Brad Taylor (live stream)

Other attendees included: Justin Hayes

During closed session, the Board of Trustees discussed and acted on the following matters:

Closed Session Minutes	The Board reviewed and approved the May 19, 2020 closed session minutes.
Medical Board Reports	Upon recommendation of staff, one disability case from the June 10, 2020 medical board report was removed so that an Independent Medical Examination could be conducted. The Board reviewed and adopted the medical board reports from May 21, May 27, June 4 and June 10, 2020.
Earnings Limitation Recovery Reports	The Board voted to approve the earnings limitation recovery report as presented.
Disability Offset Report	The Board voted to approve the disability offset report as presented.
Adjournment	There being no further business before the Board, on a motion made by Mr. Haines and seconded by Mr. Prouty, the meeting adjourned at 3:15 p.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board